

From: "Neil Beckman" <neil.beckman@gogebicrangebank.com> on 03/15/2004 05:10:31 PM
Subject: Regulation BB - Community Reinvestment Act

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Dear Federal Reserve:

As a community banker, I strongly endorse the federal bank regulators' proposal to increase the asset size of banks eligible for the small bank streamlined Community Reinvestment Act (CRA) examination from \$250 million to \$500 million. This proposal will greatly reduce regulatory burden.

The small bank CRA examination process was an excellent innovation. As a community banker, I applaud the agencies for recognizing that it is time to expand this critical burden reduction benefit to larger community banks. At this critical time for the economy, this will allow more community banks to focus on what they do best-fueling America's local economies. When a bank must comply with the requirements of the large bank CRA evaluation process, the costs and burdens increase dramatically. And the resources devoted to CRA compliance are resources not available for meeting the credit demands of the community.

Adjusting the asset size limit also more accurately reflects significant changes and consolidation within the banking industry in the last 10 years. To be fair, banks should be evaluated against their peers, not banks hundreds of times their size. The proposed change recognizes that it's not right to assess the CRA performance of a \$500 million bank or a \$1 billion bank with the same exam procedures used for a \$500 billion bank. Large banks now stretch from coast-to-coast with assets in the hundreds of billions of dollars. It is not fair to rate a community bank using the same CRA examination.

Ironically, community activists seem oblivious to the costs and burdens. And yet, they object to bank mergers that remove the local bank from the community. This is contradictory. If community groups want to keep the local banks in the community where they have better access to decision-makers, they must recognize that regulatory burdens are strangling smaller institutions and forcing them to consider selling to larger institutions that can better manage the burdens.

Increasing the size of banks eligible for the small-bank streamlined CRA examination does not relieve banks from CRA responsibilities. Since the survival of many community banks is closely intertwined with the success and viability of their communities, the increase will merely eliminate some of the most burdensome requirements.

In summary, I believe that increasing the asset-size of banks eligible for the small bank streamlined CRA examination process is an important first step to reducing regulatory burden.

I also feel that there needs to be a specific set of guidelines instituted that will allow community banks to earn an outstanding rating.

I find it very ironic that small banks that do nothing but serve their local communities cannot earn an outstanding rating a \$ 500 billion bank which serves no one but its shareholders and corrupts the whole banking process, can get an outstanding rating.

Each bank should be required to reinvest 75% of all deposits received from local cities to be reinvested in the local community.

This is what community banks do, not large corporate banks. A large bank uses deposits from rural and small communities to fund loans in large metropolitan areas and their mortgage companies.

Sincerely,

Neil J. Beckman